

Message Text

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ACTION TRSE-00

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NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS DECLAS, 10/31/75

TAGS: EAID, EFIN, RP

SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE (ZA) GRANT AND
LOAN - MINDANAO SECONDARY AND FEEDER ROADS PROJECT
(PHILIPPINES)

SUMMARY: ADB MANAGEMENT PROPOSES \$100,000 GRANT AND
\$500,000 EQUIVALENT LOAN FROM ORDINARY CAPITAL RESBURCES
TO REPUBLIC OF THE PHILIPPINES TO FINANCE FOREX COST OF
DETERMINING FEASIBILITY OF IMPROVING PACKAGE OF SECONDARY
AND FEEDER ROADS IN NORTHERN AND SOUTHWESTERN MINDANAO.
PROPOSED PROJECT WOULD COMPLEMENT BANK-FINANCED HIGHWAY
PROJECTS NOW BEING CONSTRUCTED IN MINDANAO; ENHANCE
BENEFITS FROM IBRD-FINANCED COTABATO PORT PROJECT.
USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC. R67-75 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN AND GRANT POUCHED ADDRESSEES JULY 25. BOARD
CONSIDERATION SCHEDULED AUGUST 14.

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2. ADB MANAGEMENT PROPOSING \$100,000 GRANT AND \$500,000 LOAN FROM ORDINARY CAPITAL RESOURCES TO REPUBLIC OF THE PHILIPPINES. PROCEEDS WILL FINANCE FOREX COST CONSULTING SERVICES TO DETERMINE FEASIBILITY UPGRADING GENERAL SANTOS-MALISBENG SECONDARY ROAD (110 KM); IDENTIFY AND RANK IN PRIORITY ORDER FOR IMPROVEMENT ABOUT 152 FEEDER ROADS FOR ILIGAN-CAGAYAN DE ORO-BUTUAN ROAD AND COTABATO-GENERAL SANTOS ROAD, TOTAL OF ABOUT 850 KM. PROPOSED TERMS ARE 10 YEAR AMORTIZATION INCLUDING 2-YEAR GRACE PERIOD. 8-3/4 PERCENT INTEREST. REPUBLIC OF PHILIPPINES TO BE BORROWER. DEPARTMENT OF PUBLIC HIGHWAYS (DPH) TO BE EXECUTING AGENCY.

3. ADB PROPOSES TO CONDUCT FEASIBILITY STUDIES AND IF WARRANTED, COMPLETE DETAILED DESIGNS, DRAFT TENDER DOCS AND REVIEW MAINTENANCE ARRANGEMENTS FOR UPGRADING A SECONDARY ROAD FROM GENERAL SANTOS TO MALISBENG IN SOUTHWESTERN MINDANAO; AND UPGRADING A PACKAGE OF FEEDER ROADS ASSOCIATED WITH THE ADB-FINANCED COTABATO-GENERAL SANTOS ROAD AND THE ILIGAN-CAGAYAN DE ORO-BUTUAN ROAD LEADING TO NORTHERN MINDANAO. PROPOSED TA GRANT AND LOAN PROCEEDS WOULD FINANCE COST OF CONSULTING SERVICES FOR ROAD STUDIES.

4. 1973, GOVT WITH HELP OF UNDP EXPERT CONDUCTED PRE-FEASIBILITY STUDIES 5 SECONDARY MINDANAO ROADS INCLUDING GENERAL SANTOS-MALISBENG ROAD (110 KM). STUDY THEN CONCLUDED UPGRADING THIS ROAD TO IMPROVED GRAVEL SURFACE JUSTIFIED.

5. PROPOSED FEEDER ROAD PACKAGE LINKED TO TWO NATIONAL HIGHWAYS, COTABATO-GENERAL SANTOS ROAD AND ILIGAN-CAGAYAN DE ORO-BUTUAN ROADS; CONSTRUCTION OF WHICH NOW BEING FINANCED BY ADB AND SCHEDULED FOR 1977 COMPLETION. FEEDER ROAD PACKAGE COVERS 152 ROADS OF WHICH 23 (200 KM) LINKED TO COTABATO-GENERAL SANTOS ROAD AND REMAINING 129 (650 KM) LINKED TO ILIGAN-CAGAYAN DE ORO-BUTUAN ROAD.

6. OBJECTIVES GOVT'S REVISED DEVELOPMENT PLAN ARE ATTAINMENT MAXIMUM GROWTH, BETTER LABOR FORCE UTILIZATION, LIMITED OFFICIAL USE

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MORE EQUITABLE INCOME/WEALTH DISTRIBUTION; REGIONAL DEVELOPMENT/INDUSTRIALIZATION AND SOCIAL DEVELOPMENT. LACK OF ROAD TRANSPORT IN MINDANAO SEEN AS MAJOR CONSTRAINT ATTAINMENT THESE GOALS IN THAT REGION, ESPECIALLY HAVING ADVERSE IMPACT EFFORTS MOBILIZE AG PRODUCTION INPUTS (FERTILIZER, SEEDS, EXTENSION SERVICES); SHIPMENT FARM PRODUCTS TO MARKET, STORAGE, AND PROCESSING POINTS; DELIVERY OF GOVT SOCIAL SERVICES.

7. ACCORDINGLY, GOVT FOCUSING MORE ATTENTION SECONDARY/ FEEDER ROADS TO FACILITATE INTENSIFIED FOOD PRODUCTION. EXISTING INVESTMENT IN MAJOR HIGHWAYS AND AGRICULTURE WOULD REMAIN UNDER-UTILIZED WITHOUT IMPORVEMENT OF FREQUENTLY IMPASSABLE SECONDARY/FEEDER ROAD NET. OTHER BILATERAL DONORS (USAID AND AUSTRALIA) ALSO ASSISTING THIS CATEGORY ROADS IN MINDANAO.

8. IMPROVEMENT/UPGRADING THESE ROADS WOULD RESULT DIRECT USER BENEFITS THROUGH SAVINGS TRANSPORT COSTS AND TIME; LOWER MAINTENANCE COSTS; INDUCE EXPANDED ECONOMIC ACTIVITIES; FACILITATE ACCESS TO HEALTH, EDUCATION SERVICES; PROVIDE OTHER DOCIO-ECONOMIC BENEFITS TO REGION.

9. EXISTING SECONDARY ROAD NOW UNPAVED, POORLY DRAINED, HAS SHARP CURVES, STEEP GRADES. OF 26 RIVER CROSSINGS ON GENERAL SANTOS-MALISBENG ROAD, 19 SPANNED BY TEMPORARY TIMBER BRIDGES IN DISREPAIR; OTHER CROSSINGS HAVE SMALL CAUSEWAYS; CROSSING DIFFICULT OR IMPASSABLE DURING RAINY SEASON.

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INFO OCT-01 EA-06 ISO-00 CIAE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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FOR NAC AGENCIES

10. ONE GROUP OF PROPOSED FEEDER ROADS (MOSTLY 4 TO 10 KM LONG) PROVIDE VILLAGE/FARM-TO-MARKET LINKS FOR MANY SETTLED AREAS, INCLUDING THOSE IN HINTERLAND OF CAGAYAN DE ORO PORT BEING EXPANDED UNDER IBRD LOAN. ALSO, VILLAGES ARE IN SERVICE AREA OF HYDROPOWER CAPACITY BEING DEVELOPED ILIGAN CITY UNDER ADB-FINANCED MINDANAO POWER PROJECTS. (ALONG ILIGAN-CAGAYAN DE ORO-BUTAN ROAD).

11. OTHER GROUP OF FEEDER ROADS (ALONG COTABATO-GENERAL SANTOS ROAD) EXTEND THROUGH CORRIDOR OF FLOOD PLAIN MINDANAO RIVER WHICH MAIN AGRICULTURE-PRODUCING AREA ALSO LACKING ALL-WEATHER ROADS.

12. PROPOSED IMPROVEMENTS WOULD INCREASE LOAD LIMITS, PROVIDE ALL-WEATHER GRAVEL SURFACE, PERMANENT BRIDGES, IMPROVE CROSS AND SIDE DRAINAGE.

13. STUDY TO BE PERFORMED BY CONSULTANTS ESTIMATED TO LIMITED OFFICIAL USE

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REQUIRE 24 MAN/MONTHS COSTING \$190,000 FOR PHASE I - FEASIBILITY ASSESSMENT OF 110 KM SECONDARY ROAD AND IDENTIFICATION IN PRIORITY RANK ORDER ON TECHNICAL AND ECONOMIC BASIS OF 850 KM OF FEEDER ROADS. PHASE II, PREPARATION OF DETAILED DESIGNS, SPECS AND TENDER DOCS PLUS MAINTENANCE PLANS, ESTIMATED TO REQUIRE ADDITIONAL 55 MAN/MONTHS COSTING \$410,000 FOR TOTAL OF 79 MAN/MONTHS AND \$600,000.

14. CONSULTANT TO PROVIDE PRINCIPAL EXPERTS IN FIELDS OF TRANSPORT ECONOMICS, AG ECONOMICS, ROAD ENGINEERING AND MAINTENANCE, BRIDGE DESIGN AND SOIL MECHANICS. EXECUTING AGENCY, DPH, TO PROVIDE ALL SUPPORTING, TECHNICAL AND ADMIN STAFF REQUIRED. AFTER FIELD DATA COLLECTION, PHASE I WORK TO BE COMPLETED IN DPH HEADQUARTERS MANILA; PHASE II WORK TO BE DONE AT REGIONAL DPH OFFICES CAGAYAN DE ORO AND DAVAO. CONSULTANTS EXPECTED TO PERFORM TOPOGRAPHIC AND SOIL SURVEYS REQUIRED FOR PHASE II.

15. GOVT CONTRIBUTION TO INCLUDE ALL LOCAL CURRENCY (LC) COMPONENTS EQUIV TO \$130,000 FOR PHASE I; \$600,000 FOR PHASE II FOR TOTAL LC COST OF \$730,000 EQUIV MAKING AGGREGATE COST ENTIRE \$1,330,000 EQUIV.

16. ON BASIS OF TA INCLUSION FEASIBILITY STUDIES AND

BANK PRACTICE GRANT-FINANCE SUCH STUDIES, ADB PROPOSES
PROVIDE TA GRANT OF \$100,000; REMAINING \$500,000 FOREX
TA COSTS TO BE FINANCED BY TA LOAN WITH 10 YEAR AMORTI-
ZATION, 2 YEAR GRACE PERIOD. IF CAPITAL LOAN PROJECT
RESULTS FROM TA, THEN TA LOAN AMOUNT WOULD BE
INCORPORATED INTO SUCH LOAN UNDER SAME TERMS AND
CONDITIONS OF THAT LOAN. HOWEVER, PROPOSED TA LOAN
DOES NOT COMMIT BANK TO FUTURE CAPITAL FINANCING.

17. USADB RECOMMENDS FAVORABLE NAC ACTION. U.S.
MISSION MANILA REQUESTED PREPARE COMMENTS SEPTEL,
FOR NAC AGENCIES, PURSUANT STATE 119795 DTD JULY 3,
1972.
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